

**La Paz County, Arizona**  
**Basic Financial Statements**

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**Year ended June 30, 2010**

## Table of Contents

	<u>Page</u>
<b>Independent Auditors' Report</b> .....	1-2
<b>Management's Discussion and Analysis (Required Supplementary Information)</b> .....	3-11
<b>Basic Financial Statements:</b>	
<i>Government-Wide Financial Statements:</i>	
Statement of Net Assets .....	12
Statement of Activities .....	13
<i>Fund Financial Statements:</i>	
Governmental Funds:	
Balance Sheet .....	14
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets .....	15
Statement of Revenues, Expenditures, and Changes in Fund Balances .....	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	17
Proprietary Fund:	
Statement of Net Assets .....	18
Statement of Revenues, Expenses, and Changes in Fund Net Assets .....	19
Statement of Cash Flows .....	20-21
Fiduciary Funds:	
Statement of Fiduciary Net Assets .....	22
Statement of Changes in Fiduciary Net Assets .....	23

**Table of Contents – Continued**

	<u>Page</u>
<i>Notes to Financial Statements</i> .....	24-48
<b><i>Other Required Supplementary Information:</i></b>	
Schedule of Agent Retirement Plan’s Funding Progress .....	49
Budgetary Comparison Schedule - General Fund .....	50-52
Budgetary Comparison Schedule – Road Fund .....	53
Budgetary Comparison Schedule – Business 95 Road Improvement Fund .....	54
Budgetary Comparison Schedule –Jail District Fund.....	55
Notes to Budgetary Comparison Schedules.....	56-57



HEINFELD, MEECH & CO., P.C.  
CERTIFIED PUBLIC ACCOUNTANTS



## INDEPENDENT AUDITORS' REPORT

The Auditor General of the State of Arizona

The Board of Supervisors  
La Paz County, Arizona

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of La Paz County, Arizona (County), as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of La Paz County, Arizona, as of June 30, 2010, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

The Management's Discussion and Analysis on pages 3 through 11, the Schedule of Agent Retirement Plan's Funding Progress on page 49, and the Budgetary Comparison Schedules on pages 50 through 57 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In connection with our audit nothing came to our attention that caused us to believe that the County failed to use highway user revenue fund monies received by the County pursuant to Arizona Revised Statutes Title 28, Chapter 18, Article 2, and any other dedicated state transportation revenues received by the County solely for the authorized transportation purposes. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance.

In accordance with *Government Auditing Standards*, we will also issue our report on our consideration of La Paz County, Arizona's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters at a future date. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

This report is intended solely for the information and use of the members of the Arizona State Legislature, the Auditor General of the State of Arizona, the Board of Supervisors, management, and others within the County and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.

*Heinfeld, Meech & Co., P.C.*

HEINFELD, MEECH & CO., P.C.  
Certified Public Accountants

August 25, 2011

## **Management's Discussion and Analysis**

**La Paz County**  
**Management's Discussion and Analysis**  
**June 30, 2010**

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This discussion and analysis, prepared by La Paz County's (the "County") management, is intended to be an easily readable analysis of the County's financial activities based on currently known facts, decisions or conditions during the fiscal year ended June 30, 2010. This analysis focuses on current year activities and should be read in conjunction with the County's basic financial statements following this section.

Financial Highlights

- The County's total assets exceeded liabilities by \$57,819,220 (net assets). Of this amount, \$17,532,783 is a deficit in unrestricted net assets, \$7,319,081 is restricted for specific purposes (restricted net assets), and \$68,032,922 is invested in capital assets, net of related debt.
- The County's total net assets as reported in the Statement of Activities decreased by \$7,079,284 in comparison to the prior year's decrease in total net assets of \$2,681,522. The decrease resulted primarily from a decrease in program revenues totaling \$1,301,127, a decrease in general revenues of \$583,929 and an increase in expenses of \$2,512,706. The increase in expenses is largely the result of a change in estimate of the anticipate loss that will be incurred in connection with a judgment.
- At June 30, 2010, the governmental funds reported combined fund balances of \$5,232,525, a decrease of \$2,140,112 in comparison with the prior year. This decrease resulted primarily from a one-time payment approximating \$500,000 to assist another local government and the continued deficit increase incurred by the County's Health Department. The County's overall financial condition continues to be significantly compromised due to ongoing unsuccessful settlement attempts in connection with a judgment against the County, which has resulted in the incurrence of expenditures not recoverable from current revenue sources. The combined fund balance is available to meet the County's current and future needs (unreserved fund balance).
- At June 30, 2010 unreserved fund balance for the general fund was \$2,698,572 or 21% of general fund expenditures. In accordance with Arizona Revised Statutes §42-17151, this entire amount is budgeted to be spent in the next fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise three components: 1) Government-wide financial statements, 2) Fund financial statements, and 3) Notes to the financial statements. Required supplementary information is included in addition to the basic financial statements.

**Government-wide Financial Statements** are designed to provide readers with a broad overview of the County's finances, in a manner similar to private-sector businesses.

The *Statement of Net Assets* presents information on all County assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

## Management's Discussion and Analysis - Continued

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The *Statement of Activities* presents information showing how net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of these government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or part of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include general government, public safety, highways and streets, sanitation, health, welfare, culture and recreation, and education. The County has one business-type activity, the Emerald Canyon Golf Course.

Component units are included in our basic financial statements and consist of legally separate entities for which the County is financially accountable and that have substantially the same board as the County or provide services entirely to the County. The County has one major component unit, the La Paz County Jail District and several smaller component units. Refer to Note 1 A, Reporting Entity, on page 24 of this report for more information on the County's component units.

*The government-wide financial statements can be found on pages 12-13 of this report.*

**Fund Financial Statements** are groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate finance-related legal compliance. All of the funds of the County can be divided into three categories: *governmental funds, proprietary funds, and fiduciary funds*.

*Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on near-term inflows and outflows of usable resources, as well as on balances of usable resources available at the end of the fiscal year. Such information may be useful in evaluating a county's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The County reports four major governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General, Road, Business 95 Road Improvement, and Jail District funds. Data from the other governmental funds (non-major) are combined into a single, aggregated presentation.

## Management's Discussion and Analysis - Continued

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*The governmental fund financial statements can be found on pages 14-17 of this report.*

*Proprietary funds*, or enterprise funds, are used to report the same functions presented as business-type activities in the government-wide financial statements. La Paz County uses an enterprise fund to account for the Emerald Canyon Golf Course. Fund financial statements for the enterprise fund provide the same type of information as the government-wide financial statements, only in more detail.

*The enterprise fund financial statements can be found on pages 18-21 of this report.*

*Fiduciary funds* are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs.

*The fiduciary funds financial statements can be found on pages 22-23 of this report.*

**Notes to financial statements** provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

*The notes can be found on pages 24-48 of this report.*

**Required supplementary information** presents budgetary comparison schedules for the General, Road, Business 95 Road Improvement, and Jail District funds of the County. It also includes a schedule of agent retirement plan's funding progress.

*Required supplementary information can be found on pages 49-57 of this report.*

### Government-Wide Financial Analysis

#### *Net Assets*

The largest portion of the County's net assets reflects the investment in capital assets (e.g., land, buildings, machinery and equipment, and infrastructure), less accumulated depreciation and related debt used to acquire those assets still outstanding. The County uses these assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Restricted net assets represent resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets may be used to meet the government's ongoing obligations to the citizens and creditors.

## Management's Discussion and Analysis - Continued

The following table summarizes the Statement of Net Assets at June 30, 2010 and 2009:

	2010	2009	2010	2009	2010	2009
	Governmental Activities	Governmental Activities (as restated)	Business- Type Activities	Business- Type Activities	Total	Total (as restated)
Current and other assets	\$ 7,617,832	\$ 9,330,398	\$ (437,635)	\$ (562,685)	\$ 7,180,197	\$ 8,767,713
Capital assets	70,428,443	72,702,591	1,159,766	1,256,494	71,588,209	73,959,085
Total assets	<u>78,046,275</u>	<u>82,032,989</u>	<u>722,131</u>	<u>693,809</u>	<u>78,768,406</u>	<u>82,726,798</u>
Other liabilities	2,218,137	1,805,609	92,608	49,116	2,310,745	1,854,725
Long-term liabilities	18,568,123	15,691,428	70,318	282,141	18,638,441	15,973,569
Total liabilities	<u>20,786,260</u>	<u>17,497,037</u>	<u>162,926</u>	<u>331,257</u>	<u>20,949,186</u>	<u>17,828,294</u>
Net assets						
Invested in capital assets, net of related debt	66,873,156	68,945,515	1,159,766	1,033,526	68,032,922	69,979,041
Restricted	7,319,081	7,967,353	-	250,531	7,319,081	8,217,884
Unrestricted net assets (deficit)	<u>(16,932,222)</u>	<u>(12,376,916)</u>	<u>(600,561)</u>	<u>(921,505)</u>	<u>(17,532,783)</u>	<u>(13,298,421)</u>
Total net assets	<u>\$ 57,260,015</u>	<u>\$ 64,535,952</u>	<u>\$ 559,205</u>	<u>\$ 362,552</u>	<u>\$ 57,819,220</u>	<u>\$ 64,898,504</u>

*Note: During 2010 certain corrections were made to properly classify restricted and unrestricted net assets. For comparative purposes, the 2009 net asset balances were also corrected to reflect these changes.*

As noted earlier, net assets may serve over time as a useful indicator of whether the financial position of the County is improving or deteriorating. In the case of the County, assets exceeded liabilities by \$57,819,220 at June 30, 2010 which is primarily the result of the County's investment in long-lived assets.

Governmental activities current and other assets decreased by \$1,712,566 primarily due to a decrease in cash and cash equivalents totaling \$1,458,825 (this includes a \$91,484 decrease in cash and investments held by trustee). The majority of this decrease resulted from payment of County operating expenditures necessary for basic governmental services. Current liabilities increased by \$412,528 primarily due to an increase in accounts payable of \$557,539.

Governmental activities long-term liabilities have increased by \$2,876,695 primarily due an increase in the estimated judgment payable as discussed in Note 6. In addition, the County entered into a capital lease agreement for the purchase of five vehicles.

Business-type activities incurred a decrease in cash and cash equivalents during the year totaling \$226,581, which resulted primarily from the final principal and interest payments made on certificates of participation debt.

## Management's Discussion and Analysis - Continued

### Changes in Net Assets

The following table indicates the changes in net assets for governmental and business-type activities:

	2010	2009	2010	2009	2010	2009
	Governmental	Governmental	Business-Type	Business-Type	Total	Total
	Activities	Activities	Activities	Activities	Total	Total
<u>Revenues</u>						
Program revenues:						
Charges for services	\$ 6,585,282	\$ 6,647,468	\$ 1,738,205	\$ 1,625,047	\$ 8,323,487	\$ 8,272,515
Operating grants & contributions	5,316,511	6,354,460	-	-	5,316,511	6,354,460
Capital grants & contributions	3,489,353	3,803,503	-	-	3,489,353	3,803,503
General revenues:						
Property taxes	4,139,711	3,938,780	-	-	4,139,711	3,938,780
Share of state sales taxes	1,624,724	1,772,992	-	-	1,624,724	1,772,992
Excise tax	2,000,067	2,055,645	-	-	2,000,067	2,055,645
Payments in lieu of taxes	1,945,891	2,387,088	-	-	1,945,891	2,387,088
Vehicle license tax	1,078,584	1,040,794	-	-	1,078,584	1,040,794
Share of state lottery	304,381	522,533	-	-	304,381	522,533
Investment earnings	6,859	89,956	1,182	1,182	8,041	91,138
Miscellaneous	181,618	57,976	-	-	181,618	57,976
Total revenues	<u>26,672,981</u>	<u>28,671,195</u>	<u>1,739,387</u>	<u>1,626,229</u>	<u>28,412,368</u>	<u>30,297,424</u>
<u>Expenses</u>						
General government	11,867,678	8,728,609	-	-	11,867,678	8,728,609
Public safety	10,359,659	10,833,098	-	-	10,359,659	10,833,098
Highways and streets	6,374,904	6,428,041	-	-	6,374,904	6,428,041
Sanitation	64,020	47,494	-	-	64,020	47,494
Health	2,506,569	2,682,179	-	-	2,506,569	2,682,179
Welfare	580,620	510,520	-	-	580,620	510,520
Culture and recreation	965,498	966,281	1,495,394	1,485,597	2,460,892	2,451,878
Education	272,907	254,987	-	-	272,907	254,987
Interest on long-term debt	1,004,403	1,042,140	-	-	1,004,403	1,042,140
Total expenses	<u>33,996,258</u>	<u>31,493,349</u>	<u>1,495,394</u>	<u>1,485,597</u>	<u>35,491,652</u>	<u>32,978,946</u>
Change in net assets before transfers	(7,323,277)	(2,822,154)	243,993	140,632	(7,079,284)	(2,681,522)
Transfers	47,340	-	(47,340)	-	-	-
	<u>47,340</u>	<u>-</u>	<u>(47,340)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net assets	(7,275,937)	(2,822,154)	196,653	140,632	(7,079,284)	(2,681,522)
Beginning net assets	64,535,952	67,358,106	362,552	221,920	64,898,504	67,580,026
Ending net assets	<u>\$ 57,260,015</u>	<u>\$ 64,535,952</u>	<u>\$ 559,205</u>	<u>\$ 362,552</u>	<u>\$ 57,819,220</u>	<u>\$ 64,898,504</u>

As previously discussed, net assets of the governmental activities decreased during the year by \$7,275,937. Total revenues decreased by \$1,998,214, which is a combination of a \$1,058,636 decrease in grant revenue due to less federal and state grant funding received during 2010 and a \$441,197 decrease in Federal Payments in Lieu of Taxes which is adjusted annually at the discretion of the Federal government. In addition, State lottery monies decreased by \$218,152 and Highway User Revenue Fund revenues decreased by \$317,154 which are both adjusted at the discretion of the state of Arizona. Generally, governmental activities operating expenses decreased due to budgetary constraints. However, overall, the County's governmental activities expenses increased by \$2,502,909 which is primarily the result of an increase in the estimated liability in connection with a judgment against the County.

## Management's Discussion and Analysis - Continued

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Business-type activities reported a negative unrestricted net asset balance totaling \$600,561 which is a lower deficit than in the prior year by \$320,944. Operating revenues for this fund increased by \$113,158 while operating expenses increased by \$9,797.

### **Financial Analysis of the County's Funds**

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

*Governmental funds* – The focus of the County's governmental funds is to provide information of near-term inflows, outflows, and balances of useable resources. Such information is useful in assessing the County's financial requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At June 30, 2010, the County's governmental funds reported combined fund balances of \$5,232,525, a decrease of \$2,140,112 in comparison with the prior year.

The General Fund is the County's primary operating fund. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$2,698,572. Total General Fund revenue decreased by \$406,392 primarily due to a decrease in Payments in Lieu of Tax revenues, a decrease in the County's share of State Sales tax revenue and a decrease in Shared State Lottery revenue. General Fund expenditures decreased by \$573,220. Salaries, wages and related personnel costs increased by \$93,028 from the prior year while generally, there were reductions in other operating expenditures. The General Fund's expenditures for its portion of the State long health cost containment and long-term care decreased by \$532,061 predominately due to a refund received during the year.

The Road Fund, a major County Fund used for various road projects within the County, had an overall increase in expenditures totaling \$341,387 due to the repair and rehabilitation of various County road roads and streets.

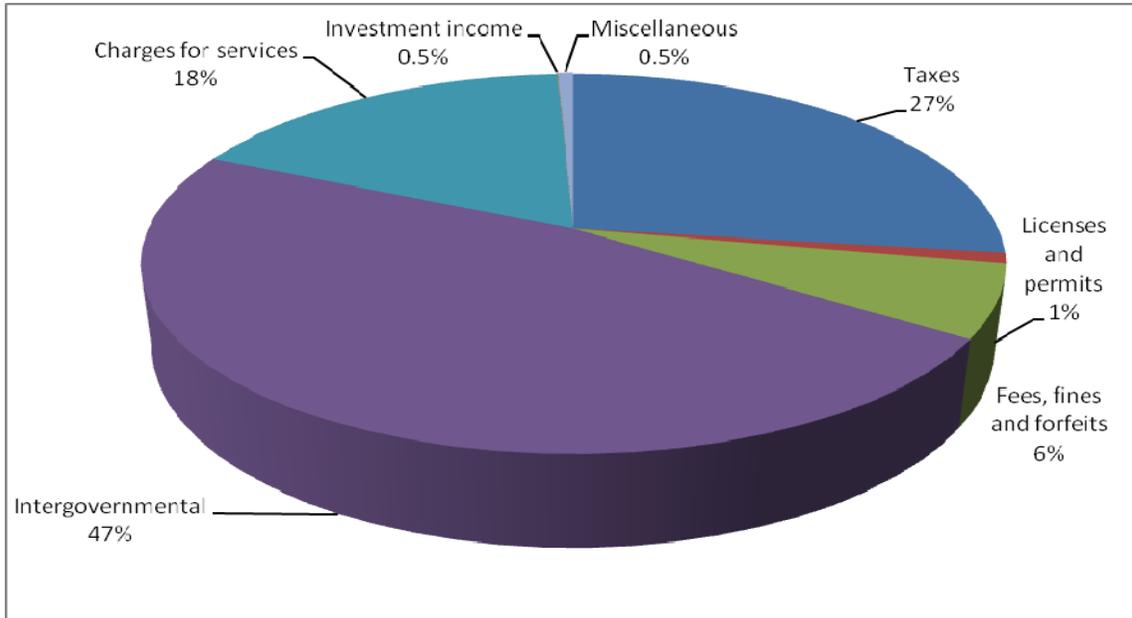
The Other Governmental funds had a decrease in revenues totaling \$1,153,356 in which the largest components of that decrease was a \$288,090 decrease in a County parks grant and a \$430,746 decrease in a U.S. Department of Housing and Urban Development (CDBG) grant received in the prior year for the completion of the Salome Community Center. Overall expenditures decreased in the Other Governmental funds by \$8,593.

The Jail District Fund is a major County fund used to report the activity of the County jail. During 2010, the Fund's overall revenues decreased by \$147,320 from 2009 because of a decrease in revenues related to inmate housing activity while its expenditures decreased due to less debt service on certificates of participation and capital expenditures. The fund also made transfers of \$195,000 to the County's General Fund.

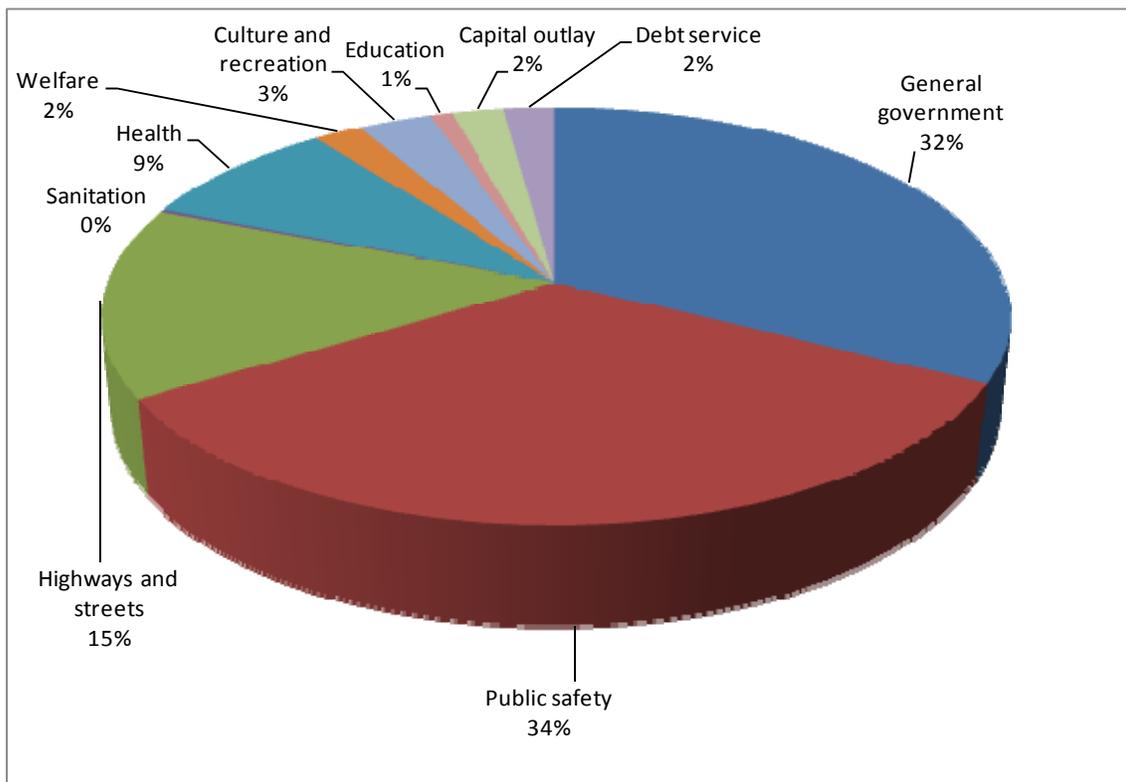
The Golf Course Fund is an enterprise fund of the County that had an increase of \$196,653 in net assets which resulted primarily from an increase in golf course fee revenue of \$109,973.

## Management's Discussion and Analysis - Continued

The following graphs present the amount of governmental revenues from various sources and expenditures by function:



The composition of revenues remained generally consistent with the prior year with a slight increase in tax revenues and a decrease in intergovernmental revenues.



## Management's Discussion and Analysis - Continued

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During 2010, the largest portion of the County's expenditures continued to be for public safety at 34% of total expenditures and general government functions at 32% of the total. The County's highways and streets expenditures increased from the prior year to 15% of the total (up from 13% in the prior year) which related to an increase in road maintenance and rehabilitation.

### General Fund Budgetary Highlights

The County did not amend the fiscal year 2009-10 adopted budget for the General Fund. General Fund actual expenditures were \$1.1 million under the adopted budget and actual revenues were less than estimated revenues by \$0.2 million.

Tax revenue was greater than budget predominately due to greater than anticipated property taxes. As in prior year, budgeted miscellaneous revenues are for various non-exchange transactions in which several did not commence during 2010.

The following General Fund departments had variances from their original budget by more than ten percent and \$20,000:

- The County Assessor exceeded its budget by 14% due to an unbudgeted software purchase.
- The County Attorney exceeded its budget by 15% due to an error made in the budgeting process.
- The Justice of the Peace Court #6 incurred less than anticipated expenditures due primarily from unfilled vacant positions.
- Planning and Zoning had less than anticipated expenditures due primarily to lower than anticipated architectural and consulting and other professional services fees.
- During 2010, none of the Contingency department was utilized resulting in an \$832,832 favorable variance.
- The General Administration budget includes costs for professional fees and other general government expenses that were not incurred as anticipated during 2010.
- The County Sheriff's Office exceeded its budget by 15% due to greater than anticipated overtime, fuel costs and personnel related expenditures. Also, the department did not budget for capital outlays incurred in connection with the purchase of vehicles using the proceeds of a capital lease.
- Indigent Health expenditures were less than anticipated due to less than expected County shared costs related to the Arizona Health Care Cost Containment System.
- The Chronically Mentally Ill department had less than anticipated expenditures due to an overall decrease in the use of outside health care providers.
- Health Department Transit had an overall decrease in operating costs resulting in a favorable budget variance.
- The debt service payments on the certificates of participation using cash held by the trustee of the general fund were not included in the adopted budget.

## Management's Discussion and Analysis - Continued

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### Capital Assets and Debt Administration

#### *Capital Assets*

The County's investment in capital assets as of June 30, 2010 amounted to \$71.5 million (net of accumulated depreciation). This investment in capital assets includes land and land improvements, water rights, buildings, machinery and equipment, construction equipment and vehicles, and infrastructure purchased, constructed or donated after July 1, 1982 (the year of the County's inception). The County's net investment in capital assets decreased 3.0% from the prior period. Major capital asset events during the current fiscal year included outlays to complete the construction of the Salome community center, and outlays for highway and street improvements.

Additional information on the County's capital assets activity and balances can be found in Note 5 of the notes to the financial statements on pages 36-37 of this report.

#### *Long-Term Liabilities*

At June 30, 2010 the County had total long-term liabilities outstanding of \$18,638,441. This amount consists primarily of obligations under capital leases of \$2.0 million and \$14.0 million in estimated claims and judgment related losses. The County has accrued what it currently believes is a reasonable estimate of the anticipated loss in connection with a claim discussed in further detail on page 41 of the financial statements. Additional information on the County's long-term debt can be found in Note 6 of the notes to the financial statements on pages 38-41 of this report.

### Economic Factors

- The County has accrued a \$14.0 million liability related to a judgment in which the County currently does not have sufficient unrestricted liquid or long-lived assets to settle the obligation. The County is currently working to obtain financing to settle the obligation, however, due to uncertainty surrounding the date in which the judgment will be paid, the ultimate total loss amount is currently unknown. However, the County's liability includes what management and legal counsel believes is a reasonable estimate of the probable remaining interest expense, professional fees and other related costs that will be incurred through the date of payment.
- Due to the current economic environment, it is anticipated that future shared revenues received from the State of Arizona and property and sales tax revenues will continue to decrease.
- The County has taken into consideration the above economic factors in preparing future years' budgets.

### Request for Information

This financial report is designed to provide a general overview of the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the La Paz County Finance Department, 1108 Joshua Avenue, Parker, AZ 85344.

## **Basic Financial Statements**

**La Paz County**  
**Statement of Net Assets**  
**June 30, 2010**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 4,929,826	\$ 29,231	\$ 4,959,057
Property taxes receivable	209,153	-	209,153
Internal balances	496,971	(496,971)	-
Due from:			
Others	220,548	29,749	250,297
Other governments	1,502,006	-	1,502,006
Prepaid items	259,328	356	259,684
Capital assets, not being depreciated	46,506,938	-	46,506,938
Capital assets, being depreciated, net	23,921,505	1,159,766	25,081,271
Total assets	<u>78,046,275</u>	<u>722,131</u>	<u>78,768,406</u>
<b>Liabilities</b>			
Accounts payable	1,121,608	68,316	1,189,924
Accrued liabilities	494,005	24,292	518,297
Due to:			
Others	269,895	-	269,895
Other governments	332,629	-	332,629
Noncurrent liabilities:			
Due within one year	437,764	9,845	447,609
Due in more than one year	18,130,359	60,473	18,190,832
Total liabilities	<u>20,786,260</u>	<u>162,926</u>	<u>20,949,186</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	66,873,156	1,159,766	68,032,922
Restricted for:			
Public safety	720,449	-	720,449
Highways and streets	3,362,569	-	3,362,569
Sanitation	76,794	-	76,794
Health	397,908	-	397,908
Other purposes	2,761,361	-	2,761,361
Unrestricted (deficit)	(16,932,222)	(600,561)	(17,532,783)
Total net assets	<u>\$ 57,260,015</u>	<u>\$ 559,205</u>	<u>\$ 57,819,220</u>

See accompanying notes to financial statements.

**La Paz County**  
**Statement of Activities**  
**Year Ended June 30, 2010**

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Primary government:</b>							
Governmental activities:							
General government	\$ 11,867,678	\$ 3,336,408	\$ 874,442	\$ 4,099	\$ (7,652,729)	\$ -	\$ (7,652,729)
Public safety	10,359,659	2,276,518	3,301,185	-	(4,781,956)	-	(4,781,956)
Highways and streets	6,374,904	-	131,297	3,485,254	(2,758,353)	-	(2,758,353)
Sanitation	64,020	-	44,287	-	(19,733)	-	(19,733)
Health	2,506,569	189,994	675,738	-	(1,640,837)	-	(1,640,837)
Welfare	580,620	33,775	289,562	-	(257,283)	-	(257,283)
Culture and recreation	965,498	748,587	-	-	(216,911)	-	(216,911)
Education	272,907	-	-	-	(272,907)	-	(272,907)
Interest on long-term debt	1,004,403	-	-	-	(1,004,403)	-	(1,004,403)
Total governmental activities	33,996,258	6,585,282	5,316,511	3,489,353	(18,605,112)	-	(18,605,112)
Business-type activities							
Golf course	1,495,394	1,738,205	-	-	-	242,811	242,811
Total business-type activities	1,495,394	1,738,205	-	-	-	242,811	242,811
Total primary government	\$ 35,491,652	\$ 8,323,487	\$ 5,316,511	\$ 3,489,353	(18,605,112)	242,811	(18,362,301)
<b>General revenues:</b>							
Taxes:							
Property taxes levied for general purposes					4,129,847	-	4,129,847
Property taxes levied for special districts					9,864	-	9,864
Excise tax					2,000,067	-	2,000,067
Payments in lieu of taxes					1,945,891	-	1,945,891
Share of state sales taxes					1,624,724	-	1,624,724
Vehicle license tax					1,078,584	-	1,078,584
Share of state lottery					304,381	-	304,381
Investment earnings					6,859	1,182	8,041
Miscellaneous					181,618	-	181,618
Transfers					47,340	(47,340)	-
Total general revenues and transfers					11,329,175	(46,158)	11,283,017
Changes in net assets					(7,275,937)	196,653	(7,079,284)
Net assets - July 1, 2009					64,535,952	362,552	64,898,504
Net assets - June 30, 2010					\$ 57,260,015	\$ 559,205	\$ 57,819,220

See accompanying notes to financial statements.

**La Paz County  
Balance Sheet  
Governmental Funds  
June 30, 2010**

	<b>Major Funds</b>					<b>Total Governmental Funds</b>
	<b>General Fund</b>	<b>Road Fund</b>	<b>Business 95 Road Improvement Fund</b>	<b>Jail District Fund</b>	<b>Other Governmental Funds</b>	
<b>Assets</b>						
Cash and cash equivalents	\$ 723,991	\$ 1,400,582	\$ 1,425,762	\$ 566,586	\$ 812,905	\$ 4,929,826
Property tax receivable	208,679	-	-	-	474	209,153
Due from:						
Others	105,067	-	-	-	115,481	220,548
Other governments	196,176	364,587	-	293,804	647,439	1,502,006
Other funds	3,672,524	19,325	995,571	-	199,146	4,886,566
Prepaid items	122,680	70	-	123,906	12,672	259,328
Total assets	<u>\$ 5,029,117</u>	<u>\$ 1,784,564</u>	<u>\$ 2,421,333</u>	<u>\$ 984,296</u>	<u>\$ 1,788,117</u>	<u>\$ 12,007,427</u>
<b>Liabilities and Fund Balances</b>						
Liabilities:						
Accounts payable	\$ 273,017	\$ 434,719	\$ 399	\$ 52,859	\$ 360,614	\$ 1,121,608
Accrued liabilities	229,247	52,271	-	61,074	151,413	494,005
Due to:						
Others	216,079	-	-	50,048	3,768	269,895
Other governments	332,629	-	-	-	-	332,629
Other funds	1,112,925	361,268	-	1,025,960	1,889,442	4,389,595
Deferred revenue	166,648	-	-	-	522	167,170
Total liabilities	<u>2,330,545</u>	<u>848,258</u>	<u>399</u>	<u>1,189,941</u>	<u>2,405,759</u>	<u>6,774,902</u>
Fund balances:						
Unreserved, reported in:						
General fund	2,698,572	-	-	-	-	2,698,572
Special revenue funds	-	936,306	2,420,934	(205,645)	(617,642)	2,533,953
Total fund balances	<u>2,698,572</u>	<u>936,306</u>	<u>2,420,934</u>	<u>(205,645)</u>	<u>(617,642)</u>	<u>5,232,525</u>
Total liabilities and fund balances	<u>\$ 5,029,117</u>	<u>\$ 1,784,564</u>	<u>\$ 2,421,333</u>	<u>\$ 984,296</u>	<u>\$ 1,788,117</u>	<u>\$ 12,007,427</u>

See accompanying notes to financial statements.

**La Paz County**  
**Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets**  
**June 30, 2010**

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Fund balances—total governmental funds	\$	5,232,525
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$121,696,749 and the accumulated depreciation is \$51,268,306.</p>		70,428,443
<p>Some of the County's receivables will be collected after year-end, but are not available soon enough to pay for the current-period expenditures, and therefore are deferred in the funds.</p>		167,170
<p>Long-term liabilities are not due and payable in the current period and therefore, are not reported in the funds.</p>		
Notes payable	\$ (1,523,180)	
Obligations under capital leases	(2,032,107)	
Compensated absences payable	(976,755)	
Estimated liabilities for claims and judgments	<u>(14,036,081)</u>	<u>(18,568,123)</u>
Net assets of governmental activities	\$	<u><u>57,260,015</u></u>

See accompanying notes to financial statements.

**La Paz County**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**Year Ended June 30, 2010**

	<b>Major Funds</b>					<b>Total Governmental Funds</b>
	<b>General Fund</b>	<b>Road Fund</b>	<b>Business 95 Road Improvement Fund</b>	<b>Jail District Fund</b>	<b>Other Governmental Funds</b>	
<b>Revenues:</b>						
Taxes	\$ 5,717,302	\$ 515,102	\$ -	\$ 961,438	\$ 9,502	\$ 7,203,344
Licenses and permits	231,773	-	-	-	9,483	241,256
Fees, fines and forfeits	1,645,759	-	-	-	12,066	1,657,825
Intergovernmental	4,167,887	3,485,254	-	690,372	4,337,347	12,680,860
Charges for services	1,066,362	-	-	2,218,611	1,401,228	4,686,201
Investment income	1,183	1,996	-	682	2,998	6,859
Miscellaneous	52,302	-	-	-	129,316	181,618
Total revenues	<u>12,882,568</u>	<u>4,002,352</u>	<u>-</u>	<u>3,871,103</u>	<u>5,901,940</u>	<u>26,657,963</u>
<b>Expenditures:</b>						
Current:						
General government	6,673,818	-	-	-	2,776,674	9,450,492
Public safety	4,218,878	-	-	3,316,004	2,249,736	9,784,618
Highways and streets	-	4,264,847	-	-	9,554	4,274,401
Sanitation	16,427	-	-	-	47,593	64,020
Health	954,543	-	-	-	1,529,381	2,483,924
Welfare	127,327	-	-	-	450,240	577,567
Culture and recreation	-	-	-	-	886,953	886,953
Education	207,301	-	-	-	62,420	269,721
Capital outlay	210,526	-	243,935	-	186,102	640,563
Debt service:						
Principal	264,900	-	-	132,120	-	397,020
Interest	119,583	-	-	91,785	-	211,368
Total expenditures	<u>12,793,303</u>	<u>4,264,847</u>	<u>243,935</u>	<u>3,539,909</u>	<u>8,198,653</u>	<u>29,040,647</u>
Excess (deficiency) of revenues over expenditures	<u>89,265</u>	<u>(262,495)</u>	<u>(243,935)</u>	<u>331,194</u>	<u>(2,296,713)</u>	<u>(2,382,684)</u>
<b>Other financing sources (uses):</b>						
Capital lease agreement	195,232	-	-	-	-	195,232
Transfers in	258,916	-	-	-	709,154	968,070
Transfers out	(709,154)	-	-	(195,000)	(16,576)	(920,730)
Total other financing sources (uses)	<u>(255,006)</u>	<u>-</u>	<u>-</u>	<u>(195,000)</u>	<u>692,578</u>	<u>242,572</u>
Net change in fund balances	<u>(165,741)</u>	<u>(262,495)</u>	<u>(243,935)</u>	<u>136,194</u>	<u>(1,604,135)</u>	<u>(2,140,112)</u>
Fund balances, July 1, 2009	<u>2,864,313</u>	<u>1,198,801</u>	<u>2,664,869</u>	<u>(341,839)</u>	<u>986,493</u>	<u>7,372,637</u>
Fund balances, June 30, 2010	<u>\$ 2,698,572</u>	<u>\$ 936,306</u>	<u>\$ 2,420,934</u>	<u>\$ (205,645)</u>	<u>\$ (617,642)</u>	<u>\$ 5,232,525</u>

See accompanying notes to financial statements.

**La Paz County**  
**Reconciliation of the Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances of Governmental Funds to the Statement of Activities**  
**Year Ended June 30, 2010**

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Net change in fund balances - total governmental funds		\$ (2,140,112)
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Expenditures for general capital assets	\$ 1,101,626	
Depreciation expense	<u>(3,571,006)</u>	(2,469,380)
<p>Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets:</p>		
Notes payable	76,820	
Certificates of participation	135,000	
Obligations under capital leases	<u>185,200</u>	397,020
<p>Some expenses in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:</p>		
Net increase in compensated absences	(65,181)	
Increase in estimated liability for claims and judgments	<u>(3,013,302)</u>	(3,078,483)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds		<u>15,018</u>
Change in net assets of governmental activities		<u><u>\$ (7,275,937)</u></u>

See accompanying notes to financial statements.

**La Paz County**  
**Statement of Net Assets**  
**Proprietary Fund**  
**June 30, 2010**

	<u><b>Business-Type Activities- Enterprise Fund Golf Course Fund</b></u>
<b>Assets</b>	
Current assets:	
Cash and cash equivalents	\$ 29,231
Prepaid items	356
Due from others	29,749
Total current assets	59,336
Noncurrent assets:	
Capital assets, net of accumulated depreciation	1,159,766
Total assets	1,219,102
<b>Liabilities</b>	
Current liabilities:	
Accounts payable	68,316
Accrued payroll and employee benefits	24,292
Due to General Fund	496,971
Compensated absences payable, current portion	9,845
Total current liabilities	599,424
Noncurrent liabilities:	
Compensated absences payable	60,473
Total liabilities	659,897
<b>Net Assets</b>	
Invested in capital assets, net of related debt	1,159,766
Unrestricted (deficit)	(600,561)
Total net assets	\$ 559,205

See accompanying notes to financial statements.

**La Paz County**  
**Statement of Revenues, Expenses, and Changes in Fund Net Assets**  
**Proprietary Fund**  
**Year Ended June 30, 2010**

	<b>Business-Type Activities- Enterprise Fund Golf Course Fund</b>
<b>Operating revenues:</b>	
Golf course fees	\$ 1,738,205
<b>Operating expenses:</b>	
Personnel services	735,859
Professional services	85,318
Supplies	145,126
Communications	4,916
Utilities	86,594
Repairs and maintenance	245,792
Depreciation	156,826
Other	31,772
Total operating expenses	1,492,203
Operating income	246,002
<b>Nonoperating revenues (expenses):</b>	
Investment income	1,182
Interest expense	(3,191)
Total nonoperating revenues (expenses)	(2,009)
Income before transfers	243,993
Transfers out	(47,340)
Increase in net assets	196,653
Total net assets, July 1, 2009	362,552
Total net assets, June 30, 2010	\$ 559,205

See accompanying notes to financial statements.

**La Paz County**  
**Statement of Cash Flows**  
**Proprietary Fund**  
**Year Ended June 30, 2010**

	<b>Business-Type Activities- Enterprise Fund</b>	<b>Golf Course Fund</b>
<b>Cash flows from operating activities:</b>		
Receipts from customers	\$ 1,736,067	
Payments to suppliers and providers of goods and services	(554,705)	
Payments to employees	(722,517)	
Net cash provided by operating activities	458,845	
<b>Cash flows from noncapital financing activities:</b>		
Negative cash balance implicitly financed	496,971	
Negative cash balance implicitly repaid	(849,982)	
Operating transfers out	(47,340)	
Net cash used for noncapital financing activities	(400,351)	
<b>Cash flows from capital and related financing activities:</b>		
Purchases of capital assets	(60,098)	
Principal paid on capital leases	(22,968)	
Principal paid on certificates of participation	(200,000)	
Interest paid on certificates of participation	(3,191)	
Net cash used for capital and related financing activities	(286,257)	
<b>Cash flows from investing activities:</b>		
Interest received on investments	1,182	
Net cash provided by investing activities	1,182	
Net decrease in cash and cash equivalents	(226,581)	
Cash and cash equivalents, July 1, 2009	255,812	
Cash and cash equivalents, June 30, 2010	\$ 29,231	

(continued)

See accompanying notes to financial statements.

**La Paz County**  
**Statement of Cash Flows - Continued**  
**Proprietary Fund**  
**Year Ended June 30, 2010**

	<b>Business-Type Activities- Enterprise Fund</b>	<b>Golf Course Fund</b>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>		
Operating income	\$	246,002
<i>Adjustments to reconcile operating income to net cash provided by operating activities:</i>		
Depreciation		156,826
Changes in assets and liabilities:		
Decrease in prepaid items		3,518
Increase in due from others		(2,138)
Increase in accounts payable		41,295
Increase in accrued payroll and employee benefits		2,197
Increased in compensated absences payable		11,145
Net cash provided by operating activities	\$	458,845

See accompanying notes to financial statements.

**La Paz County**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**June 30, 2010**

	<b>Investment Trust Fund</b>	<b>Agency Funds</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 16,089,552	\$ 775,974
Total assets	16,089,552	\$ 775,974
<b>Liabilities</b>		
Due to other governments	-	\$ 775,974
Total liabilities	-	\$ 775,974
<b>Net Assets</b>		
Held in trust for investment trust participants	\$ 16,089,552	

See accompanying notes to financial statements.

**La Paz County**  
**Statement of Changes in Fiduciary Net Assets**  
**Fiduciary Funds**  
**Year Ended June 30, 2010**

	<b>Investment Trust Fund</b>
<b>Additions:</b>	
Contributions from participants	\$ 41,470,839
Interest and dividends	212,289
Total additions	41,683,128
<b>Deductions:</b>	
Distributions to participants	42,173,647
Total deductions	42,173,647
Change in net assets	(490,519)
Net assets, July 1, 2009	16,580,071
Net assets, June 30, 2010	\$ 16,089,552

See accompanying notes to financial statements.

**La Paz County**  
**Notes to Financial Statements**  
**June 30, 2010**

**Note 1 - Reporting Entity, Basis of Presentation and Summary of Significant Accounting Policies**

The accounting policies of La Paz County conform to generally accepted accounting principles applicable to governmental units adopted by the Governmental Accounting Standards Board (GASB).

For the year ended June 30, 2010, the County implemented the provisions of GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, and GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. GASB Statement No. 51 establishes accounting and financial reporting requirements for intangible assets. GASB Statement No. 53 establishes standards for accounting and financial reporting, including note disclosure requirements, for derivative instruments. Neither of these pronouncements affected the County's 2010 financial statements.

***A. Reporting Entity***

The County is a general purpose local government located in southwestern Arizona that was established in 1983. It is governed by a separately elected board of three county supervisors. The accompanying financial statements present the activities of the County (the primary government) and its component units.

Component units are legally separate entities for which the County is considered to be financially accountable. Blended component units, although legally separate entities, are in substance part of the County's operations. Therefore, data from these units is combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the County. Each blended component unit discussed below has a June 30 year-end. The County has no discretely presented component units. The following table describes the County's component units:

<b>Component Unit</b>	<b>Description; Criteria for Inclusion</b>	<b>Reporting Method</b>	<b>Separate Financial Statements</b>
Jail District	A tax-levying public improvement district that acquires, constructs, operates, maintains, and finances county jails and jail systems pursuant to Arizona Revised Statutes; County board of supervisors serves as board of directors.	Blended	Not available
Municipal Property Corporation	A nonprofit corporation created by the County to assist in the acquisition of real and personal property for the County; County board of supervisors serves as board of directors.	Blended	Not available
Health Services District	A tax-levying public improvement district that provides or finances health services; County board of supervisors serves as board of directors.	Blended	Not available
Various Street Lighting Districts	Operates and maintains street lighting in areas outside local city jurisdictions; County board of supervisors serves as board of directors.	Blended	Not available

## Notes to Financial Statements - Continued

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### **Note 1 - Reporting Entity, Basis of Presentation and Summary of Significant Accounting Policies -Continued**

The Industrial Development Authority of La Paz County (Authority) is a legally separate entity that was created to assist in the financing of commercial and industrial enterprises. The Authority fulfills its function through the issuance of tax exempt or taxable revenue bonds. The County's Board of Supervisors appoints the Authority's Board of Directors. The Authority's operations are completely separate from the County and the County is not financially accountable for the Authority. Therefore, based on the criterion of GASB Statements Nos. 14 and 39, the financial activities of the Authority have not been included in the accompanying financial statements.

#### ***B. Basis of Presentation***

The basic financial statements include both government-wide statements and fund financial statements. The government-wide statements focus on the County as a whole, while the fund financial statements focus on major funds. Each presentation provides valuable information that can be analyzed and compared between years and between governments to enhance the usefulness of the information.

**Government-wide statements** — provide information about the primary government (the County) and its component units. The statements include a statement of net assets and a statement of activities. These statements report the financial activities of the overall government, except for fiduciary activities. They also distinguish between the governmental and business-type activities of the County. Governmental activities generally are financed through taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties.

A statement of activities presents a comparison between direct expenses and program revenues for each function of the County's governmental activities and segments of its business-type activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The County does not allocate indirect expenses to programs or functions. Program revenues include:

- charges to customers or applicants for goods, services, or privileges provided,
- operating and capital grants and contributions, including special assessments.

Revenues that are not classified as program revenues, including internally dedicated resources and all taxes, are reported as general revenues.

## Notes to Financial Statements - Continued

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### **Note 1 - Reporting Entity, Basis of Presentation and Summary of Significant Accounting Policies - Continued**

Generally, the effect of interfund activity has been eliminated from the government-wide financial statements to minimize the double counting of internal activities. However, charges for interfund services provided and used are not eliminated if the prices approximate their external exchange values.

**Fund financial statements** — provide information about the County's funds, including fiduciary funds and blended component units. Separate statements are presented for the governmental, proprietary, and fiduciary fund categories. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Fiduciary funds are aggregated and reported by fund type.

Proprietary fund revenues and expenses are classified as either operating or nonoperating. Operating revenues and expenses generally result from transactions associated with the fund's principal activity. Accordingly, revenues, such as golf course fees, in which each party receives and gives up essentially equal values, are operating revenues. Nonoperating revenues, such as investment income, result from transactions in which the parties do not exchange equal values. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. Other expenses, such as interest expense, are considered to be nonoperating expenses.

The County reports the following major governmental funds:

*The General Fund* is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

*The Road Fund* accounts for monies from specific revenue sources that are restricted for road maintenance and operations, pavement preservation, and fleet services.

*The Business 95 Road Improvement Fund* accounts for monies from the Arizona Department of Transportation that is restricted for roadway realignment, shoulder improvements, and drainage improvements to state road Business 95. The State of Arizona transferred ownership jurisdiction and maintenance responsibilities to the County during fiscal year 2002.

*The Jail District Fund* was established by La Paz County resolution §89-5845 under the authority of Article 1, Chapter 25, and Title 48, of the Arizona Revised Statutes on November 20, 1989. On June 18, 1990, the Jail District Board of Directors adopted Resolution JD90-12, under the authority of Arizona Revised Statutes §48-4022, establishing a one-half cent excise sales tax effective January 1, 1991, through perpetuity. The Jail District Fund accounts for the receipt of tax revenue, maintenance of effort, intergovernmental revenue, debt service, and operating expenditures of the County's jail.

## Notes to Financial Statements - Continued

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### **Note 1 - Reporting Entity, Basis of Presentation and Summary of Significant Accounting Policies - Continued**

The County reports the following major enterprise fund:

*The Golf Course Fund* accounts for the activities and related operations and maintenance of an 18 hole golf course and pro-shop.

The County reports the following fiduciary fund types:

*The investment trust fund* accounts for pooled assets held and invested by the County Treasurer on behalf of other governmental entities.

*The agency funds* account for assets held by the County as an agent for the State and various local governments, and for property taxes collected and distributed to the State, local school districts, community college districts, and special districts.

#### ***C. Basis of Accounting***

The government-wide, proprietary fund, and fiduciary fund financial statements are presented using the economic resources measurement focus, with the exception of the agency funds, and the accrual basis of accounting. The agency funds are custodial in nature and do not have a measurement focus. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Grants and donations are recognized as revenue as soon as all eligibility requirements the provider imposed have been met.

Governmental funds in the fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when they become both measurable and available. The County considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year end. The County's major revenue sources that are susceptible to accrual are property taxes, sales taxes, licenses and permits, intergovernmental, charges for services, and investment income. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they are due and payable. General capital asset acquisitions are reported as expenditures in governmental funds. Issuances of general long-term debt and acquisitions under capital lease agreements are reported as other financing sources.

## Notes to Financial Statements - Continued

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### **Note 1 - Reporting Entity, Basis of Presentation and Summary of Significant Accounting Policies - Continued**

Under the terms of grant agreements, the County funds certain programs by a combination of grants and general revenues. Therefore, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. The County applies grant resources to such programs before using general revenues.

The County's business-type activities and enterprise fund follows FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements. The County has chosen the option not to follow FASB Statements and Interpretations issued after November 30, 1989.

#### ***D. Cash and Investments***

For purposes of its statement of cash flows, the County considers cash on hand, demand deposits, and only those highly liquid investments with a maturity of 3 months or less when purchased to be cash equivalents.

All investments are stated at fair value.

#### ***E. Inventories***

Purchases of inventory items are recorded at the time of purchase as expenses or expenditures in the funds from which the purchases were made, and because the amounts on hand at June 30, 2010, were immaterial, they are not included in the Statements of Net Assets or the Balance Sheet.

#### ***F. Property Tax Calendar***

The County levies real and personal property taxes on or before the third Monday in August that become due and payable in two equal installments. The first installment is due on the first day of October and becomes delinquent after the first business day of November. The second installment is due on the first day of March of the next year and becomes delinquent after the first business day of May.

A lien assessed against real and personal property attaches on the first day of January preceding assessment and levy.

## Notes to Financial Statements - Continued

### **Note 1 - Reporting Entity, Basis of Presentation and Summary of Significant Accounting Policies - Continued**

#### ***G. Capital Assets***

Capital assets are reported at actual cost. Donated assets are reported at estimated fair value at the time received.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements and enterprise fund are as follows:

	<b><u>Capitalization Threshold</u></b>	<b><u>Depreciation Method</u></b>	<b><u>Estimated Useful Life</u></b>
Land	All	N/A	N/A
Gravel and dirt roads	All	N/A	N/A
Water rights	All	N/A	N/A
Land improvements	\$5,000	Straight-line	10-30 years
Infrastructure	5,000	Straight-line	20-75 years
Buildings and improvements	5,000	Straight-line	25-50 years
Improvements other than buildings	1,000	Straight-line	7-30 years
Machinery and equipment	1,000	Straight-line	5-20 years
Golf course and improvements	1,000	Straight-line	30 years

Unlike paved roads, gravel and dirt roads are not depreciated since once they are placed in operation, only annual maintenance is required to keep them operational for an indefinite period.

#### ***H. Investment Income***

Investment income is composed of interest, dividends, and net changes in the fair value of applicable investments.

#### ***I. Compensated Absences***

Compensated absences consist of vacation leave and a calculated amount of sick leave earned by employees based on services already rendered.

Employees may accumulate up to 160 hours of vacation depending on years of service, but any vacation hours in excess of the maximum amount that are unused at year end are forfeited. Upon termination of employment, all unused and unforfeited vacation benefits are paid to employees. Accordingly, vacation benefits are accrued as a liability in the government-wide and proprietary fund's financial statements. A liability for these amounts is reported in the governmental funds' financial statements only if they have matured, for example, as a result of employee resignations and retirements by fiscal year-end.

**Notes to Financial Statements - Continued**

**Note 1 - Reporting Entity, Basis of Presentation and Summary of Significant Accounting Policies – Continued**

Employees may accumulate an unlimited number of sick leave hours. Generally, sick leave benefits provide for ordinary sick pay and are cumulative but are forfeited upon termination of employment. However, employees who accumulate unused sick leave in excess of 384 hours are paid a percentage of the excess unused sick leave based on the number of years of consecutive service with the County; therefore, the excess sick leave is accrued in the government-wide and proprietary fund’s financial statements. A liability for these amounts is reported in the governmental funds’ financial statements only for employees who have resigned or retired by fiscal year-end.

**Note 2 - Stewardship, Compliance, and Accountability**

Fifteen General Fund departments had an excess of actual expenditures over appropriations. General Fund departments with expenditures in excess of appropriations are caused mainly by excess expenditures for which budget modifications were not made. In total, the County’s General Fund did not have expenditures in excess of appropriations since the County budgeted significant expenditures for the contingency department and no budget modifications were made.

The County continues to work closely with these departments to minimize future similar overruns.

**Deficit fund balances**—At June 30, 2010, the following funds reported deficit fund balances exceeding \$15,000:

<b>Fund</b>	<b>Deficit</b>
<b>Governmental funds:</b>	
Emergency Services	\$ 113,945
La Paz Extension Fund	62,660
Health Department	1,381,044
La Paz County Park	310,884
Park Grants	155,501
Education & Employment Fund LPCC	138,264
Jail District	205,645
ACJC Records Improvement Grant	25,733
Boat Patrol Grant	48,170
Workers Investment Act PY 99	104,145

**Notes to Financial Statements - Continued**

**Note 2 - Stewardship, Compliance, and Accountability - Continued**

<b>Fund</b>	<b>Deficit</b>
County Anti-Racketeering (RICO)	\$ 112,195
2005 Monsoon Grant	86,733
Arizona Criminal Justice Commission Drug Enforcement	353,484
Victim Compensation Fund	15,070
JCEF Collection Enhancement	41,956
Adult State Aid Enhancement	90,025
Task Force Prosecutor	270,709
Community Development	340,210
Child Support Program	150,442
Jail Commissary	69,240
Juvenile Rights Fund	15,712
Anti-Meth Initiative	55,096
GIITEM Grant	47,921
Byrne Grant - Dispatch	26,430
Highway Safety Grant	20,337
SLIF Project Boats	18,688
JP5 Court Enhancement	33,239
Cops in School	305,980
Bio Terrorism	57,605

The above fund deficits resulted from operations during the year or carryovers from prior years and are expected to be corrected through normal operations in the future or will be settled by future transfers between funds.

## Notes to Financial Statements - Continued

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### **Note 3 - Deposits and Investments**

Arizona Revised Statutes (A.R.S.) authorize the County to invest public monies in the State Treasurer's investment pool; U.S. Treasury or agency obligations; specified state and local government bonds; interest-earning investments such as savings accounts, certificates of deposit, and repurchase agreements in eligible depositories; and specified commercial paper, bonds, debentures, and notes issued by corporations organized and doing business in the United States. In addition, the County Treasurer may invest trust funds in fixed income securities of corporations doing business in the United States or District of Columbia.

#### *Credit risk*

Statutes have the following requirements for credit risk:

1. Commercial paper must be rated P1 by Moody's investors service or A1 or better by Standard and Poor's rating service.
2. Corporate bonds, debentures, and notes must be rated A or better by Moody's investors service or Standard and Poor's rating service.
3. Fixed income securities must carry one of the two highest ratings by Moody's investors service and Standard and Poor's rating service. If only one of the above-mentioned services rates the security, it must carry the highest rating of that service.

*Custodial credit risk* - Statutes require collateral for demand deposits and certificates of deposit at 101 percent of all deposits not covered by federal depository insurance.

*Concentration of credit risk* - Statutes do not include any requirements for concentration of credit risk.

**Notes to Financial Statements - Continued**

**Note 3 - Deposits and Investments - Continued**

*Interest rate risk* - Statutes require that public monies invested in securities and deposits have a maximum maturity of 5 years and that public operating fund monies invested in securities and deposits have a maximum maturity of 3 years. Investments in repurchase agreements must have a maximum maturity of 180 days.

*Foreign currency risk* - Statutes do not allow foreign investments.

*Deposits* - Custodial credit risk is the risk that in the event of bank failure the County's deposits may not be returned to the County. The County does not have a deposit policy for custodial credit risk.

At June 30, 2010, the carrying amount of the County's total cash in the bank was \$10,025,859 and the bank balance was \$10,040,406. All County's deposits are collateralized by the amount not covered by depository insurance.

*Investments* - The County's investments at June 30, 2010, were as follows:

<u>Investment Type</u>	<u>Rating</u>	<u>Rating Agency</u>	<u>Amount</u>
State Treasurer's investment pool 7	Unrated	Not applicable	<u>\$11,786,679</u>

The State Board of Investment provides oversight for the State Treasurer's pools. The fair value of a participant's position in the pool approximates the value of that participant's pool shares, and the participant's shares are not identified with specific investments.

*Credit risk* - The County does not have a formal investment policy with respect to credit risk. However, the credit risk for the County's investments is indicated in the preceding table.

*Interest rate risk* - The County does not have a formal policy regarding interest rate risk. At June 30, 2010, the County had the following investments in debt securities:

<u>Investment Type</u>	<u>Amount</u>	<u>Investment Maturities</u>
		<u>Less than 1 Year</u>
State Treasurer's investment pool	<u>\$11,786,679</u>	<u>\$11,786,679</u>
	<u>\$11,786,679</u>	<u>\$11,786,679</u>

**Notes to Financial Statements - Continued**

**Note 3 - Deposits and Investments – Continued**

A reconciliation of cash and investments to amounts shown on the Statements of Net Assets follows:

Cash and investments:

	<b>County Treasurer's Investment Pool</b>	<b>Other</b>	<b>Total</b>
Cash on hand	\$ -	\$ 12,045	\$ 12,045
Carrying amount of deposits	9,219,136	806,723	10,025,859
Reported amount of investments	11,786,679	-	11,786,679
<b>Total</b>	<b>\$ 21,005,815</b>	<b>\$ 818,768</b>	<b>\$ 21,824,583</b>

Statements of Net Assets:

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Investment Trust Funds</b>	<b>Agency Funds</b>	<b>Total</b>
Cash and cash equivalents	\$ 4,929,826	\$ 29,231	\$ 16,089,552	\$ 775,974	\$21,824,583
	<u>\$ 4,929,826</u>	<u>\$ 29,231</u>	<u>\$ 16,089,522</u>	<u>\$ 775,974</u>	<u>\$21,824,583</u>

**Note 4 - Condensed Financial Statements of County Treasurer’s Investment Pool**

A.R.S. requires community colleges, school districts, and other local governments to deposit certain public monies with the County Treasurer. The Treasurer has a fiduciary responsibility to administer those and the County’s monies under her stewardship. The Treasurer invests, on a pool basis, all idle monies not specifically invested for a fund or program. In addition, the Treasurer determines the fair value of those pooled investments annually at June 30.

The County Treasurer’s investment pool is not registered with the Securities and Exchange Commission as an investment company, and there is no regulatory oversight of its operations. The pool’s structure does not provide for shares, and the County has not provided or obtained any legally binding guarantees to support the value of the participants’ investments. The Treasurer allocates interest earnings to each of the pool’s participants.

**Notes to Financial Statements - Continued**

**Note 4 - Condensed Financial Statement of County Treasurer's Investment Pool – Continued**

Deposits and investments of the County's primary government are included in the County Treasurer's investment pool, except for \$12,045 of cash on hand and \$806,723 of deposits held in bank. Therefore, deposit and investment risks of the Treasurer's investment pool are substantially the same as the County's deposit and investment risks. See Note 3 for disclosure of the County's deposit and investment risks.

Details of each major asset classification follow:

<u>Investment Type</u>	<u>Interest Rate(s)</u>	<u>Maturities</u>	<u>Fair Value</u>
State Treasurer's investment pool	No stated interest rate	No stated maturity	\$ 11,786,679
Certificates of deposit	1.6%-2.7%	2/2010 and 2/2011	74,608
Deposits	N/A	N/A	9,144,528
			<u>\$ 21,005,815</u>

A condensed statement of the investment pool's net assets and changes in net assets follows:

<b>Statement of Net Assets</b>	
Assets	\$ 21,005,815
Net assets	<u>\$ 21,005,815</u>
Net assets held in trust for:	
Internal participants	\$ 4,916,263
External participants	16,089,552
Total net assets held in trust	<u>\$ 21,005,815</u>
<b>Statement of Changes in Net Assets</b>	
Total additions	\$ 72,231,978
Total deductions	73,919,615
Net decrease	<u>(1,687,637)</u>
Net assets held in trust:	
July 1, 2009	22,693,452
June 30, 2010	<u>\$ 21,005,815</u>

## Notes to Financial Statements - Continued

### Note 5 - Capital Assets

Capital asset activity for the year ended June 30, 2010, was as follows:

	Primary Government			Balance June 30, 2010
	Balance June 30, 2009	Increases	Decreases	
<b>Governmental activities:</b>				
<i>Capital assets</i>				
<i>not being depreciated</i>				
Land	\$ 630,070	\$ 41,526	\$ -	\$ 671,596
Water rights	1,096,646	-	-	1,096,646
Gravel and dirt roads	41,460,031	-	-	41,460,031
Construction in progress	2,352,869	925,796	-	3,278,665
Total capital assets, not being depreciated	45,539,616	967,322	-	46,506,938
 <i>Capital assets being depreciated:</i>				
Land improvements	56,707	-	-	56,707
Building and improvements	16,630,577	-	-	16,630,577
Machinery and equipment Improvements	14,680,761	329,536	162,930	14,847,367
other than buildings	845,867	-	-	845,867
Infrastructure	42,809,293	-	-	42,809,293
Total capital assets being depreciated	75,023,205	329,536	162,930	75,189,811
Total	120,562,821	1,296,858	162,930	121,696,749
 <i>Less accumulated depreciation for:</i>				
Land improvements	27,999	1,697	-	29,696
Buildings and improvements Improvements	3,852,530	486,463	-	4,338,993
other than buildings	385,527	48,828	-	434,355
Machinery and equipment	11,032,243	1,114,784	162,930	11,984,097
Infrastructure	32,561,931	1,919,234	-	34,481,165
Total	47,860,230	3,571,006	162,930	51,268,306
Total capital assets being depreciated, net	27,162,975	(3,241,470)	-	23,921,505
Governmental activities capital assets, net	\$ 72,702,591	\$ (2,274,148)	\$ -	\$ 70,428,443

**Notes to Financial Statements - Continued**

**Note 5 - Capital Assets - Continued**

	<b>Primary Government</b>			
	<b>Balance June 30, 2009</b>	<b>Increases</b>	<b>Decreases</b>	
<b>Business-type activities:</b>				
Capital assets being depreciated:				
Golf course and improvements	\$ 2,868,215	\$ -	\$ -	\$ 2,868,215
Machinery and equipment	1,226,447	60,098	-	1,286,545
Total	4,094,662	60,098	-	4,154,760
Less accumulated depreciation for:				
Golf course and improvements	1,858,655	95,928	-	1,954,583
Machinery and equipment	979,513	60,898	-	1,040,411
Total	2,838,168	156,826	-	2,994,994
Business-type activities capital assets, net	\$ 1,256,494	\$ (96,728)	\$ -	\$ 1,159,766

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 292,198
Public safety	613,830
Highways and streets	2,565,647
Welfare	2,163
Health	16,382
Sanitation	575
Culture and recreation	76,648
Education	3,563
Total governmental activities depreciation expense	\$ 3,571,006
Business-type activities:	
Golf course	\$ 156,826
Total business-type activities depreciation expense	\$ 156,826

**Notes to Financial Statements - Continued**

**Note 6 - Long-Term Liabilities**

The following schedule details the County's long-term liability and obligation activity for the year ended June 30, 2010:

	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2010</u>	<u>Due within</u> <u>1 year</u>
<b>Governmental activities</b>					
Notes payable	\$ 1,600,000	\$ -	\$ 76,820	\$ 1,523,180	\$ 132,671
Certificates of participation payable	135,000	-	135,000	-	-
Obligations under capital leases	2,022,075	195,232	185,200	2,032,107	207,418
Compensated absences payable	911,574	976,755	911,574	976,755	97,675
Estimated liabilities for claims and judgments	11,022,779	3,013,302	-	14,036,081	-
Governmental activities long-term liabilities	<u>\$ 15,691,428</u>	<u>\$ 4,185,289</u>	<u>\$ 1,308,594</u>	<u>\$ 18,568,123</u>	<u>\$ 437,764</u>
<b>Business-type activities</b>					
Certificates of participation payable	\$ 200,000	\$ -	\$ 200,000	\$ -	\$ -
Obligations under capital leases	22,968	-	22,968	-	-
Compensated absences payable	59,173	70,318	59,173	70,318	9,845
Business-type activities long-term liabilities	<u>\$ 282,141</u>	<u>\$ 70,318</u>	<u>\$ 282,141</u>	<u>\$ 70,318</u>	<u>\$ 9,845</u>

**Capital leases**

The County has acquired jail facilities and equipment under the provisions of various long-term lease agreements classified as capital leases for accounting purposes because they provide for a bargain purchase option or a transfer of ownership by the end of the lease term.

The assets acquired through capital leases are as follows:

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>
Jail Facility	\$ 2,051,038	\$ -
Machinery and equipment	195,232	210,118
Less: accumulated depreciation	78,130	100,563
Carrying value	<u>\$ 2,168,140</u>	<u>\$ 109,555</u>

**Notes to Financial Statements - Continued**

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**Note 6 - Long-Term Liabilities - Continued**

On October 25, 2007, the County's Jail District entered into a \$2,022,075 lease purchase agreement to finance the expansion of the County's jail facility. The agreement is structured such that the facility is leased to the bank which then issued the lease proceeds to the County. The bank in turn leases the improvements back to the County that are paid in an amount totaling \$2,671,127 through 2020. Principal and interest payment are due biannually and began on July 1, 2009. Interest on the obligation accrues at 4.6% per annum. Upon the final lease payment, the title to the improvements will transfer to the County.

The Jail District has pledged the maintenance of effort payments from the County's general fund to the Jail District and voter approved excise tax for the payment of the debt service on the lease through 2020. Principal payments and interest expense incurred on this debt during 2010 totaled \$223,905 while maintenance of effort and voter approved excise taxes were \$690,372 and \$961,598, respectively. Annual principal and interest payments on the lease are expected to require 15% of total pledged revenue.

On March 26, 2010 the County entered into a \$195,232 lease agreement to purchase five vehicles for the County's public works department. The agreement requires the County to make annual lease payments on the obligation at 5.9% per annum through 2013, with the first payment due upon the leases inception. No County revenues have been pledged for payment of debt service under this obligation and the vehicles serve as collateral pursuant to the lease agreement.

The following schedule details debt service requirements to maturity for the County's capital leases payable at June 30, 2010:

<b>Year Ending June 30,</b>	<b><u>Governmental Activities</u></b>
2011	\$ 300,893
2012	300,893
2013	300,893
2014	247,811
2015	247,811
2016-2020	<u>1,115,150</u>
Total minimum lease payments	2,513,451
Less amount representing interest	<u>481,344</u>
Present value of net minimum lease payments	<u>\$ 2,032,107</u>

**Notes to Financial Statements - Continued**

**Note 6 - Long-Term Liabilities – Continued**

**Notes Payable**

In August 2008, the County entered into a financing agreement totaling \$1,250,000 in which the proceeds were used for the purchase of Colorado River water rights. The interest rate is 7.75% per annum and is payable with principal semiannually which began January 2010 and maturing in July 2018. Also, in January 2009 the County entered into financing agreement totaling \$350,000 to finance the construction of the Salome Community Center Project. The interest rate is 5.75% per annum and is payable with principal semiannually which began July 2009 and maturing in January 2019. Pursuant to these agreements, the County has pledged General Fund transaction privilege taxes. For the current year, principal and interest paid on the notes was \$192,580 and the total pledged transaction privilege tax revenues was \$1,038,469. Annual principal and interest payments on the notes are expected to require 23% of total pledged transaction privilege tax revenue.

The annual debt service to maturity for the notes payable is as follows:

<b>Year Ending June 30</b>	<b>Governmental Activities</b>	
	<b>Principal</b>	<b>Interest</b>
2011	\$ 132,670	\$ 109,211
2012	142,568	99,315
2013	153,213	88,670
2014	164,662	77,221
2015	176,978	64,904
2016-2019	753,089	116,702
Total	\$ 1,523,180	\$ 556,023

**Landfill closure and postclosure care costs** - The County has contracted with an outside agency to provide operations for its solid waste facilities. The contract requires the outside agency to reserve funds in accordance with the closure plan for closure and postclosure care costs. In the event of termination of the contract, the required reserve funds are to be remitted to the County. Consequently, no liability for landfill closure and postclosure care costs has been recorded on the Statement of Net Assets.

**Insurance claims** - The County provides life, health, and disability benefits to its employees and their dependents through the Arizona Local Government Employee Benefit Trust currently composed of six member counties. The Trust provides the benefits through a self-funding agreement with its participants and administers the program. The County is responsible for paying the premium and does not require its employees to contribute a portion of that premium. If it withdraws from the Trust, the County is responsible for any claims run-out costs, including claims reported but not settled, claims incurred but not reported, and administrative costs. If the Trust were to terminate, the County would be responsible for its proportional share of any Trust deficit.

**Notes to Financial Statements - Continued**

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**Note 6 - Long-Term Liabilities – Continued**

**Compensated absences** - Compensated absences are paid from various funds in the same proportion that those funds pay payroll costs. During fiscal year 2010, the County paid for compensated absences as follows: 54 percent from the General Fund, 9 percent from the Road Fund, 10 percent from the Jail District Fund, 7 percent from the Enterprise Fund, and 20 percent from the other funds.

**Claims and judgments** – On January 25, 2008, a judgment was rendered in connection with a September 4, 2007 verdict in favor of a defendant/counterclaimant. The claim involved a contractual matter resulting in damages totaling \$9,200,000 payable to the defendant/counterclaimant and reimbursement of certain fees and costs as reported below and is not covered by the Arizona Counties Property and Casualty Pool. In accordance with Arizona Revised Statute §44-1201, simple interest accrues on the liability at a rate of 10% per annum. The following is a summary of the total estimated loss and remaining liability incurred in connection with this claim as of June 30, 2010:

Damages	\$ 9,200,000
Attorney fees and other incidental costs awarded to defendant/counterclaimant and their bonding company	830,795
Interest accrued through June 30, 2010 at 10% per annum	2,759,543
Estimated attorney fees incurred by the County through June 30, 2010	1,157,646
Estimated interest and other costs that will be incurred from July 1, 2010 through the anticipated date of payment	<u>1,745,743</u>
Total estimated loss related to the claim	15,693,727
Amount already paid to the defendant/counterclaimant	( 500,000)
Attorney fees paid to-date through June 30, 2010	<u>( 1,157,646)</u>
Total liability reported as of June 30, 2010 (includes costs incurred after year-end)	<u>\$ 14,036,081</u>

The liability accrued as of June 30, 2010 is the amount the County believes is a reasonable estimate of the probable loss that will be incurred on this claim through the anticipated date of payment. In accordance with U.S. generally accepted accounting principles, this amount includes actual costs incurred after June 30, 2010 and certain remaining costs estimated to be incurred. The ultimate actual loss that will be incurred could change in the near term as a result of pending litigation between the County and judgment creditors and the County's ability to secure financing necessary to settle the obligation. The above loss estimation is presented for accounting and reporting purposes only and does not represent the County's legal stance on the matter.

On August 15, 2011, the defendant/counterclaimant submitted an application to the Court requesting reimbursement for attorney fees totaling \$845,690 and other costs totaling \$25,990 which they claim to have incurred since the judgment date. Until the County has the opportunity to review the propriety of the application, a reasonable estimate of the total probable loss related to this request is not determinable.

## Notes to Financial Statements - Continued

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### **Note 7 - Risk Management**

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters; but was unable to obtain insurance at a cost it considered to be economically justifiable. Therefore, the County joined and is covered by three public entity risk pools: the Arizona Counties Property and Casualty Pool and the Arizona Counties Workers' Compensation Pool, which are described below, and the Arizona Local Government Employee Benefit Trust, which is described on page 40.

The Arizona Counties Property and Casualty Pool is a public entity risk pool currently composed of 11 member counties. The pool provides member counties catastrophic loss coverage for risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters; and provides risk management services. Such coverage includes all defense costs as well as the amount of any judgment or settlement. The County is responsible for paying a premium, based on its exposure in relation to the exposure of the other participants, and a deductible of \$5,000 per occurrence for property claims and \$5,000 per occurrence for liability claims. The County is also responsible for any payments in excess of the maximum coverage of \$300 million per occurrence for property claims and \$15 million per occurrence for liability claims. However, lower limits apply to certain categories of losses. A county must participate in the pool at least 3 years after becoming a member; however, it may withdraw after the initial 3-year period. If the pool were to become insolvent, the County would be assessed an additional contribution.

The Arizona Counties Workers' Compensation Pool is a public entity risk pool currently composed of 11 member counties. The pool provides member counties with workers' compensation coverage, as required by law, and risk management services. The County is responsible for paying a premium, based on an experience rating formula that allocates pool expenditures and liabilities among the members.

The Arizona Counties Property and Casualty Pool and the Arizona Counties Workers' Compensation Pool receive independent audits annually and an audit by the Arizona Department of Insurance every 5 years. Both pools accrue liabilities for losses that have been incurred but not reported. These liabilities are determined annually based on an independent actuarial valuation.

### **Note 8 – Pensions and Other Postemployment Benefits**

**Plan Descriptions** - The County contributes to four plans, three of which are described below. The Corrections Officer Retirement Plan is not described due to its relative insignificance to the County's financial statements. Benefits are established by state statute and the plans generally provide retirement, long-term disability and health insurance premium benefits including death and survivor benefits.

## Notes to Financial Statements - Continued

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### **Note 8 - Pensions and Other Postemployment Benefits – Continued**

The retirement benefits are generally paid at a percentage, based on years of service, of the retirees' average compensation. Long-term disability benefits vary by circumstance, but generally pay a percentage of the employee's monthly compensation. Health insurance premium benefits are generally paid as a fixed dollar amount per month towards the retiree's healthcare insurance premiums, in amounts based on whether the benefit is for the retiree or for the retiree and his or her dependents.

The *Arizona State Retirement System (ASRS)* administers a cost-sharing, multiple-employer defined benefit pension plan; a cost-sharing, multiple-employer defined benefit plan health insurance premium plan; and a cost sharing, multiple-employer defined benefit long-term disability plan that covers employees of the State of Arizona and employees of participating political subdivisions and school districts. The ASRS is governed by the Arizona State Retirement System Board according to the provisions of A.R.S. Title 38, Chapter 5, Article 2.

The *Public Safety Personnel Retirement System (PSPRS)* administers an agent multiple-employer defined benefit pension plan and an agent multiple-employer defined benefit health insurance premium plan that covers public safety personnel who are regularly assigned hazardous duty as employees of the State of Arizona and employees of participating political subdivisions. The PSPRS, acting as a common investment and administrative agent, is governed by a five-member board, known as The Fund Manager, and the participating local boards according to the provisions of A.R.S. Title 38, Chapter 5, Article 4.

The *Elected Officials Retirement Plan (EORP)* administers a cost-sharing, multiple-employer defined benefit pension plan and a cost-sharing, multiple employer defined benefit health insurance premium plan that covers State of Arizona and County elected officials and judges, and elected officials of participating cities. The EORP is governed by The Fund Manager of PSPRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 3. Because the health insurance premium plan benefit of the EORP is not established as a formal trust, the EORP is reported in accordance with GASB No. 45 as an agent multiple-employer defined benefit plan. Accordingly, the disclosures that follow reflect the EORP as if it were an agent multiple-employer defined benefit plan.

Each plan issues a publicly available financial report that includes its financial statements and required supplementary information. A report may be obtained by writing or calling the applicable plan.

#### **ASRS**

3300 North Central Avenue  
P.O. Box 33910  
Phoenix, AZ 85067-3910  
(602) 240-2000 or 1-800-621-3778

#### **PSPRS and EORP**

3010 E. Camelback Road, Suite 200  
Phoenix, AZ 85016-4416  
(602) 255-5575

**Funding Policy**—The Arizona State Legislature establishes and may amend active plan members' and the County's contribution rates for the ASRS, PSPRS and EORP.

**Notes to Financial Statements - Continued**

**Note 8 - Pensions and Other Postemployment Benefits – Continued**

*Cost-sharing plan* - For the year ended June 30, 2010, active ASRS members were required by statute to contribute at the actuarially determined rate of 9.4 percent (9.0 percent for retirement and 0.4 percent for long-term disability) of the members' annual covered payroll and the County was required by statute to contribute at the actuarially determined rate of 9.40 percent (8.34 percent for retirement, 0.66 percent for health insurance premium and 0.4 percent for long-term disability) of the members' annual covered payroll.

The County's contributions to ASRS for the current and the two preceding years, all of which were equal to the required contributions, were as follows:

Year ended June 30	Retirement Fund	Health Benefit Supplement Fund	Long-Term Disability Fund
2010	\$ 750,845	\$ 55,590	\$ 35,841
2009	\$ 696,862	\$ 98,307	\$ 44,424
2008	\$ 687,853	\$ 89,720	\$ 42,724

*Agent plans* - For the year ended June 30, 2010, active PSPRS members were required by statute to contribute 7.65 percent of the members' annual covered payroll, and the County was required to contribute 22.38 percent, the aggregate of which is the actuarially required amount. The health insurance premium portion of the contribution rate was actuarially set at 0.75 percent of the members' annual covered payroll. Active EORP members were required by statute to contribute 7.00 percent of the members' annual covered payroll. The County was required to remit a designated portion of certain court fees plus additional contributions at the actuarially determined rate of 14.25 percent of the members' annual covered payroll. The health insurance premium portion of the contribution rate was actuarially set at 1.89 percent of covered payroll.

*Actuarial methods and assumptions* - The contribution requirements for the year ended June 30, 2010, were established using the June 30, 2008 actuarial valuations and those actuarial valuations were based on the following actuarial methods and assumptions.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of future events. Amounts determined regarding the funded status of the plans and the annual required contributions are subject to continual revision as actual results are compared to past expectations and new estimates are made. The required schedule of funding progress presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of the plans' assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**Notes to Financial Statements - Continued**

**Note 8 - Pensions and Other Postemployment Benefits – Continued**

Projections of benefits are based on 1) the plans' structure as understood by the County and plans' members including the types of benefits in force at the valuation date, and 2) the pattern of sharing benefit costs between the County and plans' members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The significant actuarial methods and assumptions used are the same for all plans and related benefits (unless noted), and the actuarial methods and assumptions used to established the fiscal year 2010 contribution requirements, are as follows:

Actuarial valuation date	June 30, 2008
Actuarial cost method	Projected unit credit
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period	28 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	Smoothed market value
Actuarial assumptions:	
Investment rate of return	8.50%
Projected salary increases	5.50% - 8.50% for PSPRS and 5.00% for EORP
Includes inflation at	5.5% for PSPRS and 5.0% for EORP

**Annual Pension/OPEB Cost**—The County's pension/OPEB cost for the agent plans for the year ended June 30, 2010, and related information follows:

	PSPRS		EORP	
	Pension	Health Insurance	Pension	Health Insurance
Annual pension/OPEB cost	\$ 381,937	\$ 31,069	\$ 146,254	\$ 2,917
Contributions made	\$ 381,937	\$ 31,069	\$ 146,254	\$ 2,917

**Notes to Financial Statements - Continued**

**Note 8 - Pensions and Other Postemployment Benefits – Continued**

**Trend Information**—Annual pension and OPEB cost information for the current and 2 preceding years follows for each of the agent plans.

<u>Plan</u>	<u>Year Ended June 30</u>	<u>Annual Pension/ OPEB Cost</u>	<u>Percentage of Annual Cost Contributed</u>	<u>Net Pension/ OPEB Obligation</u>
<u>PSPRS</u>				
Pension	2010	\$ 381,937	100%	\$ -0-
Health insurance	2010	\$ 31,069	100%	\$ -0-
Pension	2009	\$ 443,141	100%	\$ -0-
Health insurance	2009	\$ 30,630	100%	\$ -0-
Pension	2008	\$ 303,080	100%	\$ -0-
Health insurance	2008	\$ 28,093	100%	\$ -0-
<u>EORP</u>				
Pension	2010	\$ 146,254	100%	\$ -0-
Health insurance	2010	\$ 2,917	100%	\$ -0-
Pension	2009	\$ 112,057	100%	\$ -0-
Health insurance	2009	\$ 31,606	100%	\$ -0-
Pension	2008	\$ 90,006	100%	\$ -0-
Health insurance	2008	\$ 15,844	100%	\$ -0-

**Funded Status**—The funded status of the PSPRS as of the most recent valuation date, June 30, 2010, along with the actuarial assumptions and methods used in those valuations follow. The EORP, by statute, is a cost-sharing plan. However, because of its statutory construction, in accordance with GASB Statement No. 45, paragraphs 5 and 41, the EORP is reported for such purposes as an agent multiple-employer plan. The Fund Manager obtains an actuarial valuation for the EORP on its statutory basis as a cost-sharing plan and, therefore, actuarial information for the County, as a participating government, is not available.

**Notes to Financial Statements - Continued**

**Note 8 - Pensions and Other Postemployment Benefits – Continued**

	<u>PSPRS</u>	
	<u>Pension</u>	<u>Health Insurance</u>
Actuarial accrued liability (a)	\$10,738,464	\$ 265,326
Actuarial value of assets (b)	6,354,159	-
Unfunded actuarial accrued liability (funding excess) (a) – (b)	4,384,305	265,326
Funded ratio (b)/(a)	59.2%	0.00%
Covered payroll (c)	1,648,070	1,648,070
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll $[(a) - (b)] / (c)$	266.0%	16.10%

The actuarial methods and assumptions used are the same for all plans and related benefits, and for the most recent valuation date, are as follows:

Actuarial valuation date	June 30, 2010
Actuarial cost method	Projected unit credit
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period	26 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value
Actuarial assumptions:	
Investment rate of return	8.5%
Projected salary increases	5.5% - 8.5% for PSPRS and 5.0% for EORP
Includes inflation at	5.5% for PSPRS and 5.0% for EORP

**Notes to Financial Statements - Continued**

**Note 9 - Interfund Balances and Activity**

**Interfund receivables and payables**—Interfund balances at June 30, 2010, were as follows:

	Payable To				Total
	General Fund	Road Fund	Business 95 Road Improvement Fund	Nonmajor Governmental Fund	
<b>Payable From:</b>					
General Fund	\$ -	\$ -	\$ 995,571	\$ 117,354	\$ 1,112,925
Road Fund	361,268	-	-	-	361,268
Jail District Fund	924,843	19,325	-	81,792	1,025,960
Nonmajor Governmental Funds	1,889,442	-	-	-	1,889,442
Golf Course Fund	496,971	-	-	-	496,971
	<u>\$ 3,672,524</u>	<u>\$ 19,325</u>	<u>\$ 995,571</u>	<u>\$ 199,146</u>	<u>\$ 4,886,566</u>

Interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. Except for interfund balances between the General Fund and certain Nonmajor Governmental Funds and the Golf Course Fund, all interfund balances are expected to be repaid within 1 year from the date of the financial statements.

**Interfund transfers**—Interfund transfers for the year ended June 30, 2010, were as follows:

	Transfers To		
	General Fund	Nonmajor Governmental Funds	Total
<b>Transfers From</b>			
General Fund	\$ -	\$ 709,154	\$ 709,154
Jail District Fund	195,000	-	195,000
Nonmajor Governmental Funds	16,576	-	16,576
Golf Course Fund	47,340	-	47,340
	<u>\$ 258,916</u>	<u>\$ 709,154</u>	<u>\$ 978,070</u>

Transfers from the General Fund to Nonmajor Governmental Funds were used primarily to subsidize the Parker Library, Animal Control Fund and the County Health and Parks funds. Also, unrestricted revenues collected in the Jail District and the Golf Course funds were transferred to the General Fund.

**Required Supplementary Information**

**La Paz County**  
**Required Supplementary Information**  
**Schedule of Agent Retirement Plan's Funding Progress**  
**June 30, 2010**

**Public Safety Personnel Retirement System**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Plan Assets (a)</b>	<b>Actuarial Accrued Liability (b)</b>	<b>Funding (Liability) Excess (a-b)</b>	<b>Funded Ratio (a/b)</b>	<b>Annual Covered Payroll (c)</b>	<b>Unfunded Liability as Percentage of Covered Payroll [(a-b)/c]</b>
<b>06/30/10</b>						
Pension	\$ 6,354,159	\$ 10,738,464	\$(4,384,305)	59.2%	\$1,648,070	266.0%
Health Insurance	\$ -	\$ 265,326	\$ (265,326)	0.0%	\$1,648,070	16.1%
<b>06/30/09</b>						
Pension	\$ 6,095,219	\$ 9,803,198	\$(3,707,979)	62.2%	\$1,653,122	224.3%
Health Insurance	\$ -	\$ 265,914	\$ (265,914)	0.0%	\$1,653,122	16.1%
<b>06/30/08</b>						
Pension	\$ 5,788,423	\$ 9,576,871	\$(3,788,448)	60.4%	\$1,812,442	209.0%
Health Insurance	\$ -	\$ 298,817	\$ (298,817)	0.0%	\$1,812,442	16.5%

**La Paz County**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**Year Ended June 30, 2010**

	<b>Original and Final Budgeted Amounts</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
<b>Revenues:</b>			
Taxes	\$ 5,570,603	\$ 5,717,302	\$ 146,699
Licenses and permits	223,000	231,773	8,773
Fees, fines, and forfeits	1,726,000	1,645,759	(80,241)
Intergovernmental	4,179,153	4,167,887	(11,266)
Charges for services	1,073,500	1,066,362	(7,138)
Investment income	26,000	1,183	(24,817)
Miscellaneous	318,066	52,302	(265,764)
Total revenues	<u>13,116,322</u>	<u>12,882,568</u>	<u>(233,754)</u>
<b>Expenditures:</b>			
<b>Current:</b>			
<b>General government:</b>			
Assessor	450,941	515,824	(64,883)
County attorney	572,552	657,016	(84,464)
Board of supervisors	634,647	694,621	(59,974)
Clerk of the superior court	459,940	428,787	31,153
Constable	1,250	-	1,250
Elections	126,907	112,868	14,039
Justice of the Peace #4	440,106	385,752	54,354
Justice of the Peace #5	265,527	291,813	(26,286)
Justice of the Peace #6	301,014	246,673	54,341
Planning and zoning	582,860	478,421	104,439
Recorder	256,877	254,388	2,489
Superior court	145,192	131,503	13,689
Court administration	311,500	319,025	(7,525)
Treasurer	290,594	274,844	15,750
Contingency	832,832	-	832,832
Management information services	228,034	220,861	7,173
Public defender	583,284	570,159	13,125
General administration	735,857	397,374	338,483
Community resources	77,592	63,063	14,529
Finance personnel	255,514	267,300	(11,786)
GIS/Master planning	34,959	29,367	5,592
Facilities management	506,836	541,480	(34,644)
Total general government	<u>8,094,815</u>	<u>6,881,139</u>	<u>1,213,676</u>

See accompanying notes to budgetary comparison schedule.

**La Paz County**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**General Fund - Continued**  
**Year Ended June 30, 2010**

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Public safety:			
Regional dispatch	\$ 760,833	\$ 689,415	\$ 71,418
Sheriff	2,455,904	2,798,851	(342,947)
Probation	150,595	163,249	(12,654)
Aircraft	22,860	24,291	(1,431)
Maintenance of effort	690,372	690,372	-
Juvenile probation	96,446	101,565	(5,119)
Total public safety	<u>4,177,010</u>	<u>4,467,743</u>	<u>(290,733)</u>
Sanitation:			
Sanitary landfill	10,000	16,427	(6,427)
Total sanitation	<u>10,000</u>	<u>16,427</u>	<u>(6,427)</u>
Health:			
Indigent health	436,660	214,816	221,844
County long term care ALTCS	664,835	598,455	66,380
C.M.I (chronically mental ill)	81,150	58,901	22,249
Health department transit	92,373	82,371	10,002
Total health	<u>1,275,018</u>	<u>954,543</u>	<u>320,475</u>
Welfare:			
Public fiduciary	122,898	127,327	(4,429)
Total welfare	<u>122,898</u>	<u>127,327</u>	<u>(4,429)</u>
Education:			
School superintendent	206,519	207,301	(782)
Total education	<u>206,519</u>	<u>207,301</u>	<u>(782)</u>
Debt service:			
Principal	-	135,000	(135,000)
Interest	-	3,823	(3,823)
Total debt service	<u>-</u>	<u>138,823</u>	<u>(138,823)</u>
Total expenditures	<u>13,886,260</u>	<u>12,793,303</u>	<u>1,092,957</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (769,938)</u>	<u>\$ 89,265</u>	<u>\$ 859,203</u>

See accompanying notes to budgetary comparison schedule.

**La Paz County**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**General Fund - Continued**  
**Year Ended June 30, 2010**

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Other financing sources (uses):			
Capital lease agreement	\$ -	\$ 195,232	\$ 195,232
Transfers in	-	258,916	258,916
Transfers out	<u>(737,665)</u>	<u>(709,154)</u>	<u>28,511</u>
Total other financing sources (uses)	<u>(737,665)</u>	<u>(255,006)</u>	<u>482,659</u>
Net change in fund balances	(1,507,603)	(165,741)	1,341,862
Fund balances, July 1, 2009	<u>1,507,603</u>	<u>2,864,313</u>	<u>1,356,710</u>
Fund balances, June 30, 2010	<u>\$ -</u>	<u>\$ 2,698,572</u>	<u>\$ 2,698,572</u>

See accompanying notes to budgetary comparison schedule.

**La Paz County**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**Road Fund**  
**Year Ended June 30, 2010**

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues:			
Taxes	\$ 622,700	\$ 515,102	\$ (107,598)
Intergovernmental	5,160,000	3,485,254	(1,674,746)
Investment income	16,000	1,996	(14,004)
Total revenues	<u>5,798,700</u>	<u>4,002,352</u>	<u>(1,796,348)</u>
Expenditures:			
Current:			
Highways and streets	7,277,524	4,264,847	3,012,677
Total expenditures	<u>7,277,524</u>	<u>4,264,847</u>	<u>3,012,677</u>
Net change in fund balances	<u>(1,478,824)</u>	<u>(262,495)</u>	<u>1,216,329</u>
Fund balances, July 1, 2009	<u>1,478,824</u>	<u>1,198,801</u>	<u>(280,023)</u>
Fund balances, June 30, 2010	<u><u>\$ -</u></u>	<u><u>\$ 936,306</u></u>	<u><u>\$ 936,306</u></u>

See accompanying notes to budgetary comparison schedule.

**La Paz County**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**Business 95 Road Improvement Fund**  
**Year Ended June 30, 2010**

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues	\$ -	\$ -	\$ -
Expenditures:			
Capital outlay	<u>500,000</u>	<u>243,935</u>	<u>256,065</u>
Total expenditures	<u>500,000</u>	<u>243,935</u>	<u>256,065</u>
 Net change in fund balances	 <u>(500,000)</u>	 <u>(243,935)</u>	 <u>(256,065)</u>
Fund balances, July 1, 2009	<u>500,000</u>	<u>2,664,869</u>	<u>2,164,869</u>
Fund balances, June 30, 2010	<u>\$ -</u>	<u>\$ 2,420,934</u>	<u>\$ 2,420,934</u>

See accompanying notes to budgetary comparison schedule.

**La Paz County**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**Jail District Fund**  
**Year Ended June 30, 2010**

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues:			
Taxes	\$ 1,000,000	\$ 961,438	\$ (38,562)
Intergovernmental	690,372	690,372	-
Charges for services	2,000,000	2,218,611	218,611
Investment income	50,000	682	(49,318)
Total revenues	<u>3,740,372</u>	<u>3,871,103</u>	<u>130,731</u>
Expenditures:			
Current:			
Public safety	3,376,214	3,316,004	60,210
Debt Service:			
Principal retirement	132,120	132,120	-
Interest and fiscal charges	91,785	91,785	-
Total expenditures	<u>3,600,119</u>	<u>3,539,909</u>	<u>60,210</u>
Excess of revenues over expenditures	<u>140,253</u>	<u>331,194</u>	<u>190,941</u>
<b>Other financing sources (uses):</b>			
Transfers out	-	(195,000)	(195,000)
Net change in fund balances	<u>140,253</u>	<u>136,194</u>	<u>(4,059)</u>
Fund balances, July 1, 2009	<u>-</u>	<u>(341,839)</u>	<u>(341,839)</u>
Fund balances, June 30, 2010	<u>\$ 140,253</u>	<u>\$ (205,645)</u>	<u>\$ (345,898)</u>

See accompanying notes to budgetary comparison schedule.

**La Paz County**  
**Required Supplementary Information - Continued**  
**Notes to Budgetary Comparison Schedule**  
**June 30, 2010**

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**Note 1 - Budgeting and Budgetary Control**

A.R.S. requires the County to prepare and adopt a balanced budget annually for each governmental fund. The Board of Supervisors must approve such operating budgets on or before the third Monday in July to allow sufficient time for the legal announcements and hearings required for the adoption of the property tax levy on the third Monday in August. A.R.S. prohibits expenditures or liabilities in excess of the amounts budgeted.

Expenditures may not legally exceed appropriations at the department level. In certain instances, transfers of appropriations between departments or from the contingency account to a department may be made upon the Board of Supervisors' approval. With the exception of the General Fund, each fund includes only one department.

For the General Fund, capital outlay expenditures are budgeted by department and accumulated by function on the Budgetary Comparison Schedule. During 2010, the final principal and interest payments on the General Fund's certificates of participation were paid for using residual amounts held by the trustee and accordingly, such expenditures were not included in the operating budget. The County did not budget for the revenues of the Business 95 Road Improvement Fund, a County major fund.

**Note 2 - Budgetary Basis of Accounting**

The County's budget is prepared on a basis consistent with generally accepted accounting principles.

**Note 3 - Expenditures in Excess of Appropriations**

For the year ended June 30, 2010, expenditures that exceeded final budget amounts at the department level (the legal level of budgetary control) were as follows:

<b>Fund/Department</b>	<b>Excess</b>
General Fund:	
Assessor	\$ 64,883
County Attorney	84,464
Board of Supervisors	59,974
Justice of the Peace #5	26,286
Court Administration	7,525
Finance Personnel	11,786
Facilities Management	34,644
Probation	12,654
Sheriff	342,947
Aircraft	1,431

**La Paz County**  
**Required Supplementary Information - Continued**  
**Notes to Budgetary Comparison Schedule**  
**June 30, 2010**

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**Note 3 - Expenditures in Excess of Appropriations - Continued**

<u>Fund/Department</u>	<u>Excess</u>
Juvenile Probation	\$ 5,119
Sanitary Landfill	6,427
Indigent Health	779
Public Fiduciary	4,429
School Superintendent	782
Debt Service	138,823

The excesses were primarily the result of unexpected expenditures and expenditures made as a result of unanticipated revenues, or both.

**Note 4 – General Fund Debt Service Payments**

During 2010, the County made final principal and interest debt service payments on a certificate of participation using cash held by the County's trustee for the debt issuance. The County did not separately budget for these payments made by the trustee and accordingly, such expenditures are separately reported on the budget versus actual statement. General fund departments report all other debt service expenditures.